



STATE OF INDIANA

DEPARTMENT OF FINANCIAL INSTITUTIONS

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Indiana Department of Financial Institutions Endorses Guidance on Nontraditional Mortgage Product Risks

To the Chief Executive of the Licensee Addressed:

On October 4, 2006, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration (the "Agencies") issued an interagency guidance relative to nontraditional mortgage product risks. This interagency guidance applies to all banks and their subsidiaries, bank holding companies and their nonbank subsidiaries, savings associations and their subsidiaries, savings and loan holding companies and their subsidiaries, and credit unions.

Recognizing that the federal interagency guidance does not cover the marketing of nontraditional mortgages by non-depository state licensed entities, regulatory guidelines were developed by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) for state licensed mortgage companies and mortgage brokers. The guidance is intended to promote consistent regulation in the mortgage market and to clarify how residential mortgage providers can offer nontraditional mortgage products in a way that clearly discloses the risks borrowers may assume.

In order to maintain regulatory consistency, the guidance substantially mirrors the interagency guidance, except for the deletion of sections not applicable to non-depository institutions.

The Department of Financial Institutions endorses this guidance and welcomes any comments on the guidance from interested parties. Comments should be directed to: Mark Tarpey, Division Supervisor, at the address shown at the top of this letter.

Sincerely

Judith G. Ripley
Director

c.c. Sheila O'Bryan McGrath, office of the Attorney General
Wayne Davis, Securities Division/Loan Brokers